

Message Text

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SUBJECT: OECD STEEL CONSULTATIONS

1. ADVANCE COPY OF DOCUMENTATION GIVEN TO SECRETARIAT BY EC COMMISSION FOR USE IN STEEL CONSULTATIONS IS BEING HAND CARRIED BY G. ROSEN, L, TO R. BRESSLER, EUR/RPE. PAPER CONSISTS OF 6 PAGES TEXT PLUS 19 PAGES STATISTICS ON SITUATION OF EC STEEL INDUSTRY. FOLLOWING (PARAS 2-8) IS SUMMARY OF MAIN POINTS MADE IN TEXT.

2. EC IS NOW EXPERIENCING MOST SERIOUS AND LENGTHY RECESSION IN DECADES. IMPACT OF RECESSION HAS BEEN HARDER IN STEEL INDUSTRY THAN IN MOST OTHER INDUSTRIAL SECTORS, ON BOTH PRODUCTION AND CAPACITY UTILIZATION.

3. IN CONTRAST OTHER SECTORS, STEEL RECESSION HAS SHOWN DROP IN PRICES. PRODUCTION COSTS HAVE RISEN STEADILY

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UNTIL RECENT MONTHS. THESE TRENDS GIVE REASON TO BELIEVE

MOST ENTERPRISES SELLING AT LOSS SINCE END OF SPRING THIS YEAR. THERE IS RISK THAT ESSENTIAL INVESTMENTS WILL BE CANCELLED AND THAT EXISTENCE OF SOME ENTERPRISES WILL BE JEOPARDIZED.

4. SO FAR EMPLOYMENT IMPACT HAS BEEN LIMITED TO SHORT-TIME WORKING, BUT WITH SCOPE FOR REPAIRS AND SECONDARY WORK NOW AT END, SITUATION WILL BECOME MUCH MORE SERIOUS.

5. ALTHOUGH VOLUME OF IMPORTS DURING FIRST 5 MONTHS OF 1975 WAS 12 BELOW SAME PERIOD FOR 1974, IMPORTS NOTICEABLY INCREASED FROM JUNE, WITH JUNE-AUGUST 1975 UP 45 FROM CORRESPONDING PERIOD OF 1974. LOW PRICES OF IMPORTS, IN SOME CASES UP TO L6 LOWER THAN VERY LOW PRICES PREVAILING IN ECSC, HAVE WORSENED EFFECTS ON EC STEEL MARKET.

6. ALTHOUGH EXPORTS FROM EC-6 ROSE 4.6 IN FIRST FIVE MONTHS OF 1975 COMPARED WITH SAME PERIOD OF 1974, JUNE-AUGUST EXPORTS WERE DOWN 34 FROM THE CORRESPONDING PERIOD A YEAR EARLIER.

7. WHILE US AND JAPAN HAVE EXPERIENCED SIMILAR PATTERN OF PRODUCTION FALL-OFF, PRICE SITUATION IN THESE TWO COUNTRIES HAS BEEN MUCH BETTER THAN THAT IN EC. US PRICES HAVE INCREASED 5-10 PERCENT, AND JAPANESE PRICES HAVE BEEN MIXED.

8. AS RESULT OF INVESTMENTS OVER LAST 10 YEARS, FEW ENTERPRISES IN EC-6 HAVE STRUCTURAL PROBLEMS, ALTHOUGH SOME HAVE ARISEN IN UK. CURRENT CRISIS IN EC WOULD APPEAR TO BE CYCLICAL IN NATURE, COMBINED WITH STRUCTURAL ASPECTS IN CERTAIN REGIONS. STAGNATION IN STEEL PRODUCTION CAN BE EXPLAINED BY A FALL-OFF IN DOMESTIC CONSUMPTION, DE-STOCKING, INCREASING FALL IN EXPORTS, AND LASTLY BY AN INCREASE IN IMPORTS. CONTINUATION OF PRESENT STEEL MARKET RECESSION COULD LEAD IN VERY NEAR FUTURE TO GRAVE STRUCTURAL PROBLEMS WHICH WOULD JEOPARDIZE VERY EXISTENCE OF NUMBER OF UNDERTAKINGS AND UNDOUBTEDLY CAUSE GRAVE SOCIAL AND REGIONAL PROBLEMS.
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